

THE EMERGENCY FOOD ASSISTANCE PROGRAM

POLICY AND PROCEDURES MANUAL

REPORTS, RECORD KEEPING, INVENTORY CONTROLS, LOSSES, CLAIMS AND ADMINISTRATIVE FUNDING

This Section establishes procedures for reports, record keeping, inventory controls, commodity losses, claims and administrative funds required to account and pay distribution costs for USDA-donated foods made available by the Family Support Division (i.e. State Agency) to food banks and other charitable organizations participating in The Emergency Food Assistance Program (TEFAP).

A. Required Reports

Included as Exhibit A to this Section is a list of the form numbers, titles and due dates for all TEFAP reports that are required to be submitted by food banks to the State Agency.

B. Record Keeping

It is essential that all food banks, food pantries, soup kitchens, homeless shelters, domestic violence shelters, Kids Cafes, etc. keep accurate and complete records on the amounts of USDA-donated foods received, stored and distributed/used. Food banks are required to establish and maintain accurate inventory records for each USDA-donated food item and reconcile these records with a physical count once per month.

1. Perpetual Inventory

- (a) It is recommended food banks keep perpetual inventory records for all TEFAP commodities in inventory.
- (b) A perpetual inventory ledger should, show at a glance for each food item: the date of each transaction, the type of each transaction (i.e. receipt, distribution, transfer, adjustment, etc.), quantity of food received, quantity of food withdrawn and the balance of food in storage.
- (c) The warehouse manager or designee may find it best to set aside a specific time for posting the entries daily. As a matter of good organization, colored riders may be attached to ledgers to indicate that stock is low or should be used at once.

2. Physical Inventory

- (a) A complete physical inventory of all TEFAP commodities on hand must be taken before the form FD-3, "Report of Receipts and Distributions" can be completed. The physical inventory shall include all TEFAP commodities at the food bank (including commodities returned to the food bank by distribution sites) and in the food bank's account at commercial storage facilities, if applicable.
- (b) For ease in taking a physical count of all USDA-donated commodities, food banks may use form FD-9, "Physical Inventory of USDA-Donated Foods". Instructions for completing this form are on its reverse side.
- (c) The count of each food item taken during the physical inventory may be recorded in red on the corresponding perpetual inventory ledger. This provides a simple means of comparing the physical inventory with the book inventory. Minor differences may sometimes be found. If this occurs, the figures should be shown on the perpetual inventory ledger and FD-3 as an adjustment. Differences in the two inventories should be researched and reconciled prior to submitting the Report of Receipts and Distributions for each month.

C. Report of Receipts and Distributions (FD-3)

This is a monthly report that summarizes food distribution transactions. The report must be prepared on a computer and transmitted to the State Agency. The following instructions are included for reporting of TEFAP foods.

- 1. Inbound shipments of federally-donated commodities with more than one consignee shall be accepted and received by the primary consignee. The total amount received in good condition shall be reported on line #2, "Receipts from USDA" of the primary consignee's Report of Receipts and Distributions.
 - (a) Subsequent transfers to a second, third, fourth, fifth or sixth consignee by the primary consignee will be made in accordance with the number of units so designated on the "Notice of Order Placement and Shipment Received" (FD-30).
 - (b) These transactions will be reported on line 5(e), "Transferred Out Other - Specify" of the Report of Receipts and Distributions.
 - (c) The designated "receiving" food banks (consignees) shall report these receipts on Line #3, "Transferred In Other - Specify" of the Report of Receipts and Distributions.

- (d) Each food bank will submit a copy of the form FD-29, “Transfer of USDA-Donated Foods”, with their Report of Receipts and Distributions.

Note: Food banks are requested to make every effort to clearly communicate and coordinate these transfers between each other. Reports of Receipts and Distributions are audited by the State Agency and may be returned to food banks for correction if a transfer in/out is not consistent with corresponding entries by the receiving/transferring food bank’s form FD-3 and form FD-29.

- 2. Distributions to food pantries shall be reported on the Report of Receipts and Distributions, line 5(A), “Food Pantries”.
- 3. Distributions to soup kitchens, homeless shelters, domestic violence shelters and Kids Cafes shall be reported on line 5(B), “Soup Kitchens”.
- 4. Distributions to second tier congregate meal organizations shall be reported on line 5(C) “2nd Tier Congregate Meal Sites”.
- 5. At the end of each month, a physical count of each TEFAP food item in inventory must be taken and reported on line #8 “Physical Inventory” of the Report of Receipts and Distributions. All gains or losses shall be explained in the designated area of the report below line #9.

D. Commodity Losses and Claims

1. Minimizing Losses

- (a) Federal regulations do not require that food banks or distribution sites carry insurance for the value of TEFAP commodities. However, all eligible recipient agencies are obligated to conduct operations in a responsible manner to keep losses at a minimum.
- (b) Food banks and TEFAP distribution sites must carefully follow approved storage/handling procedures and use a first in/first out (FIFO) inventory control system to rotate stock.

2. Liability for Commodities

- (a) When physical delivery of TEFAP commodities is taken, the food bank assumes all responsibility for safekeeping of these foods; including loss or damage caused by failure to provide proper storage, care and handling. Losses must be reported promptly to the State Agency followed by completion and submittal of form FD-5 “Report of USDA-Donated Food Loss” (refer to Appendix B of this Manual).

- (b) The food bank shall be responsible for ensuring that distribution sites maintain proper handling, care and storage of commodities to guarantee the quality and safety of TEFAP commodities. Every effort must be made to reduce loss due to spoilage, infestation and theft by following accepted warehousing methods. This action not only ensures quality products are being distributed, but also protects the food bank from claim action by the State Agency and/or USDA to recover the value of the spoiled or lost product.

3. Commodities Received Out-Of-Condition

- (a) Out-of-condition products are those commodities which appear to be contaminated, deteriorated, spoiled, infested or have latent defects. All commodities must be inspected upon receipt. Cans that are leaking or bulged, have sharp dents or rust on the seams are examples of out-of-condition products. If foreign matter such as glass or metal is found in the product, the situation should be treated as an emergency.
- (b) All commodities suspected or discovered to be out-of-condition must be reported by the food bank to the State Agency by phone immediately. The food bank shall follow up the verbal notification by completing and submitting form FD-5D "Complaint Information For Reporting Complaints On USDA-Donated Commodities".

4. TEFAP Losses

- (a) The food bank assumes liability for the value of TEFAP commodities if a loss occurs because of negligence in storage, handling or improper distribution/use in accordance with federal regulations 7 CFR; Parts 250 and 251 and may be held liable for the value of the commodities.
- (b) Food banks shall explain all their losses on the monthly Report of Receipts and Distributions (FD-3). For losses of unknown origin that are under \$2,500 in value, the explanation "unknown" shall be sufficient. Losses that exceed \$2,500 or are due to violation of State or federal law shall be reported to the State Agency immediately.
- (c) The State Agency will process claims on a monthly basis if the origin of the loss is known (i.e. damaged or out-of-condition products). Obvious distribution errors within a food group may be used to offset each other, on a monthly basis, at the time FD-3s are processed. The remaining unexplained or unknown inventory gains and losses under \$2,500 will be tracked throughout the federal fiscal year for each food bank. At the end of the year, the State Agency will take the following steps:

- Disregard the loss of any one food item if the quantity lost is less than 1% of the total quantity of that item distributed during the year and the commodity was not stored at a commercial storage facility.
 - Disregard the loss, if the value is less than \$100 for a particular food item.
 - Apply offsetting on the basis of commodity value. The commodities involved in the offset process are not required to be of like or similar kind. Overages and shortages in entitlement commodities may be offset with overages and shortages in bonus commodities; or vice versa. Note: The State Agency must approve all proposed offsets.
 - Proceed with claim action for any remaining net loss(es).
- (d) Food banks shall require that distribution sites report all TEFAP commodity losses. The food bank must pursue claim action when the loss of any one individual commodity food item exceeds a value of \$100 or, regardless of value, any loss where there is evidence of violation of State or federal law. The food bank shall immediately notify the State Agency if a distribution site loss exceeds \$2,500 or is due to violation of law. Claim decisions in excess of \$2,500 require the prior approval of USDA.

Note: For detailed instructions regarding claim procedures to be initiated by the food bank when a distribution site incurs a loss, see Exhibit B at the end of this Section.

If the State Agency holds a food bank financially liable for a loss, restitution may be made by repayment or replacement of the foods lost. Food purchased to replace TEFAP losses shall be distributed to TEFAP food pantries, soup kitchens or other first tier congregate meal sites.

E. Administrative Funding

1. The State Agency shall make available to food banks, as a minimum, forty (40) percent of the State Agency's federal apportionment of TEFAP administrative funds as reimbursement of direct and indirect expenses associated with the distribution of TEFAP commodities and foods secured from other sources to the extent that these foods are ultimately distributed by eligible recipient agencies that have entered into TEFAP agreements with the food banks. Federal funds expended by the State Agency for storage and distribution costs on behalf of food banks may be counted toward meeting the 40 percent requirement.

The State Agency will reimburse food banks for allowable administrative costs after such costs have been incurred and reported.

2. Allowable Costs

- (a) The intrastate and interstate transport, storing, handling, repackaging, processing and distribution of commodities and foods obtained from other sources; except that for interstate expenditures to be allowable, foods must have been specifically earmarked for the food bank that incurs the cost;
- (b) Costs associated with determinations of eligibility, verification and documentation;
- (c) Costs of providing information to persons receiving USDA commodities concerning the appropriate storage and preparation of such commodities;
- (d) Costs involved in publishing announcements of times and locations of distribution; and
- (e) Costs of recordkeeping, auditing and other administrative procedures required for program participation.

3. Costs Not Allowable

- (a) Funds used to purchase food;
- (b) Costs associated with the acquisition, storage and distribution of non-food items;
- (c) Expenses covered by other federal funds.

F. Record of Expenditures Under TEFAP Financial Assistance (FD-32D)

- 1. Upon approval of a food bank's TEFAP Agreement and amendments (if any) by the State Agency, a food bank may receive TEFAP administrative funds available under the 40 percent requirement.
- 2. Food banks shall request these funds on form FD-32D, "Record of Expenditures Under TEFAP Financial Assistance".
- 3. Food banks shall submit this report to the State Agency and shall ensure its receipt by no later than the 20th calendar day of the month following the month to which the report pertains.

G. Record Maintenance and Inspection

- 1. Food banks shall establish and maintain accurate and complete records to account for the receipt and distribution of commodities and funds made

available under The Emergency Food Assistance Program. These records shall be retained in an organized manner for a period of at least three years from the close of the federal fiscal year (October 1 to September 30) to which they pertain. However, in instances when claim action and/or audit findings have not been resolved, the records shall be retained as long as required for the resolution of such action or findings.

2. As a minimum, these books and records must contain:
 - (a) a record of all TEFAP foods received, including dates and quantities;
 - (b) a complete record of TEFAP foods distributed to food pantries, soup kitchens, homeless shelters, etc. showing the (1) organization's name, (2) address, and (3) eligible recipient agency's authorized representative's signature.
 - (c) a record of actual costs incurred in receiving, storing and distributing TEFAP commodities.
3. Federal and State representatives are authorized to inspect all TEFAP foods in storage, and all related records and reports at any reasonable place and time.